



BANK OF THAILAND

BOT Press Release

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Press Release on the Economic and Monetary Conditions for January 2014

**Overall economic activities in January 2014** continued to soften from the previous month owing to contraction in merchandise exports. The tourism sector was further affected by domestic political protest. Private-sector consumption and investment as well as manufacturing production continued to be subdued as households and businesses remained cautious in spending.

On the stability front, inflation edged higher on the back of increased pass-through of higher costs to prepared food prices. Unemployment remained low. The current account was positive thanks to a surplus in the services, income, and transfers account. The capital account registered a deficit due to short-term loan repayments by financial institutions as well as outflows of foreign portfolio investment. Overall, the balance of payments recorded a surplus.

Details of the economic conditions are as follows.

**Merchandise export value** totaled 17,656 million US dollars, down 1.5 percent year-on-year (yoy). This month's contraction in export value reflected the following factors. First, automobile exports fell due to softened demand from ASEAN countries and Australia. Second, exports of fishery and processed agriculture products continued to be restrained by the ongoing shrimp disease outbreak. Third, export value of rice and rubber declined owing primarily to falling prices as demand from China declined after its accelerated pace in the previous period. Incidentally, the fall in steel and metal exports reflected the high base effect thanks to the repeal of anti-dumping measures by trading partners. On the other hand, certain merchandise exports—for example, electrical appliances, machinery and equipment, and petrochemical products—continued to improve in tandem with global demand.

The **tourism** sector softened further from the previous month, held down by political protests and the imposition of the state of emergency in Bangkok and surrounding areas. Tourist arrivals totaled 2.3 million, up only 0.1 percent (yoy) compared with 6.7 percent in the previous month. The noticeable drop of the tourist arrivals was attributable to the declining number of travelers mainly from Asia, in particular, China and Malaysia.

Private-sector consumption and investment were mostly unchanged from the previous month, as households and firms remained cautious in spending on the back of concerns over the domestic political situation. Readings on consumer and business spending still remained lower than the year-earlier levels. The **Private Consumption Index** (PCI) fell 1.5 percent (yoy) due to a drop in purchases of durable goods, particularly automobiles on account of both last year's high base and a decline in new orders. Meanwhile, spending on certain nondurable goods, in particular luxury items, contracted. The **Private Investment index** (PII) dropped 8.6 percent

(yoy), as some businesses decided to postpone machinery and equipment investment spending as well as outlays for construction amid economic and political uncertainties.

Weak overall demand caused manufacturing production to remain flat from the previous month. Compared to the same period of last year, the **Manufacturing Production Index** (MPI) declined 6.4 percent (yoy), mainly on account of the following factors. First, automobile production, which had accelerated in the prior year, continued to decline despite an increase in foreign orders. Second, beer production declined as a result of subdued domestic demand. Third, frozen shrimp production continued to suffer from the outbreak of the shrimp disease.

The sustained weakening in demand also weighed on imports of consumer goods, capital goods, and raw materials and intermediate goods. This month also saw a significant drop in imports of gold. **Merchandise imports** registered 18,405 million US dollars, down 12.9 percent (yoy). Excluding gold, imports fell 2.3 percent (yoy).

**Farm income** rose 6.6 percent (yoy), reflecting increases in both prices and production. Domestic farm prices edged higher on account of prices of palm oil and cassava following an increase in demand for renewable energy production. Prices of shrimp and livestock also rose as production failed to meet demand. Nonetheless, rice prices continued to decline in line with world's rice prices given good harvest in major producing countries, and also as a result of the offloading of rice stockpiles by Thailand. Rubber prices also fell owing to ample supply despite increased foreign demand, particularly from China. In terms of production, agricultural output increased on account of rice and cassava production following favorable weather conditions. Rubber production also rose thanks to the previous expansion of planting area.

**Fiscal spending** rose from the same period last year attributable to wage and salary expenses, together with outlays for goods and services which continued to be disbursed as normal. However, some investment outlays were delayed due to the ongoing political protest. Government cash receipts dropped following a decrease in excise tax revenues in line with the economic slowdown and a decrease in personal income tax receipts as a result of the new reduced tax rates applicable to incomes earned in 2013. The government's cash balance posted a deficit of 70.5 billion baht.

On the **stability** front, headline inflation edged up to 1.93 percent as a result of a higher pass-through of prices of liquefied petroleum gas (LPG) and condiments to prepared food prices. The unemployment rate remained low. The current account was positive thanks to a surplus in the services, income, and transfers account. Meanwhile, the capital account registered a deficit due to short-term loan repayments by financial institutions as well as outflows of foreign portfolio investment. Overall, the balance of payments recorded a surplus.

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